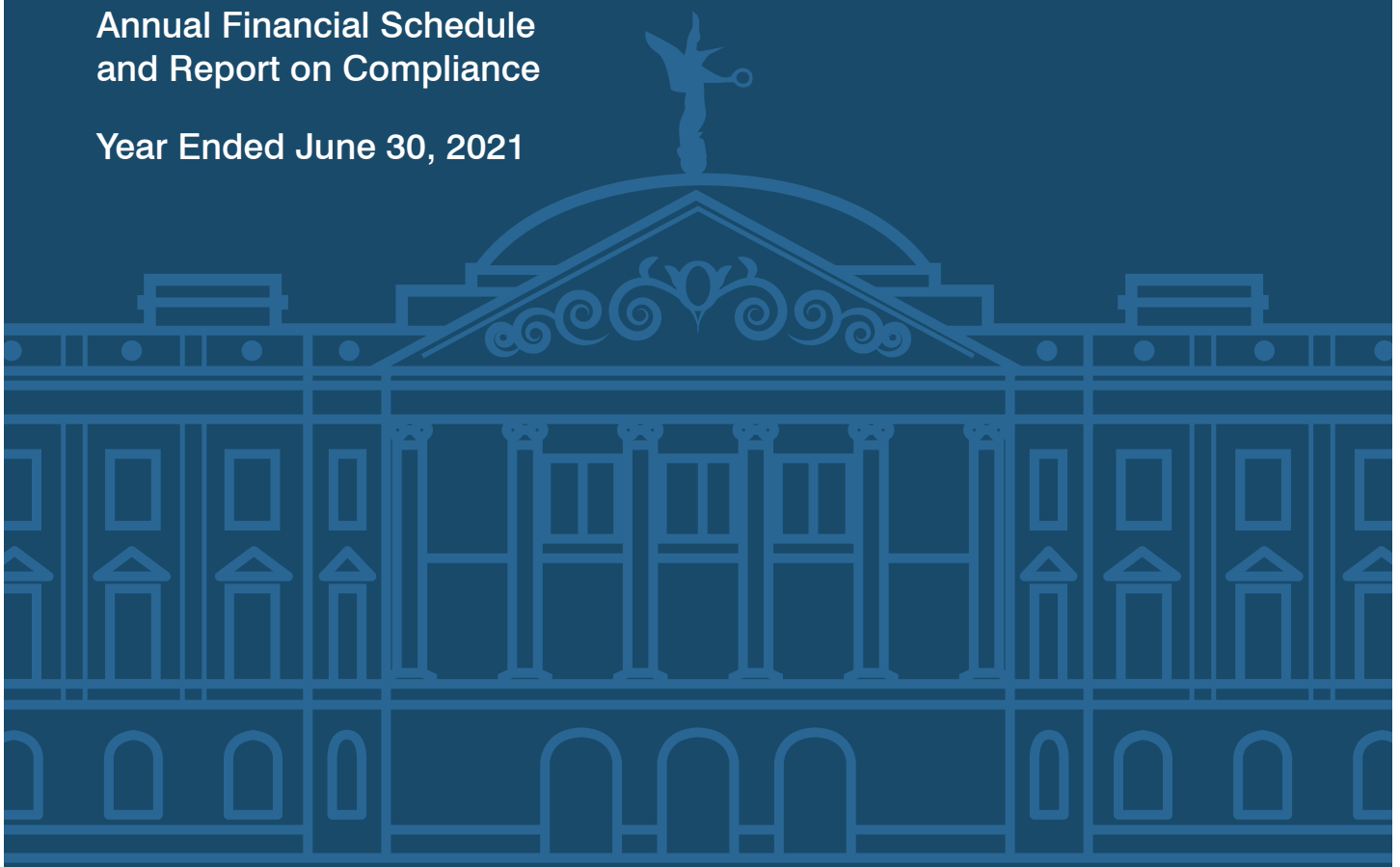


# Navajo Nation, Diné College—State of Arizona Funding Compact

Annual Financial Schedule  
and Report on Compliance

Year Ended June 30, 2021



A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

## Independent accountants' report

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor, State of Arizona

The Honorable Buu Nygren, President, Navajo Nation

Glennita Haskey, Acting President, Diné College

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balance of the Navajo Nation, Diné College—State of Arizona Funding Compact, for the year ended June 30, 2021, and the related notes to the schedule. Diné College's management is responsible for presenting this schedule based on the criteria described in Note 2. Our responsibility is to express an opinion on this schedule based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the schedule is based on the criteria described in Note 2 in all material respects. An examination involves performing procedures to obtain evidence about the schedule. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the schedule, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the schedule referred to above is presented based on the criteria described in Note 2 in all material respects.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

April 8, 2025

**Navajo Nation, Diné College—State of Arizona Funding Compact**  
**Schedule of revenues, expenditures, and changes in fund balance**  
**Year ended June 30, 2021**

**Revenues:**

Intergovernmental (Note 2)	\$3,500,000
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**Expenditures:**

Maintenance, renewal, and capital expenditures (Note 2)	<u>576,720</u>
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Revenues in excess of expenditures	2,923,280
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Fund balance, July 1, 2020	<u>3,565,212</u>
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Fund balance, June 30, 2021	<u><u>\$6,488,492</u></u>
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See accompanying notes to schedule.

# Navajo Nation, Diné College—State of Arizona Funding Compact

## Notes to schedule of revenues, expenditures, and changes in fund balance

### Year ended June 30, 2021

#### Note 1

Arizona Revised Statutes (A.R.S.) §42-5031.01 allows transaction privilege tax revenues collected on the Navajo Nation to be transferred to Diné College. The statute restricts the use of this revenue for the maintenance and renewal of buildings and infrastructure and capital construction costs of new buildings, structures, and site improvements expenditures of Diné College campuses operating in the State of Arizona. The statute also requires that the State of Arizona and the Navajo Nation enter into a compact requiring Diné College to account for the use of these monies. The Navajo Nation entered into the current compact in June 2018 for the period July 1, 2020, through June 30, 2040. Diné College must reimburse the State of Arizona, or the State may withhold future payments, for any amounts not used for maintenance, renewal, or capital expenditures at Diné College campuses operated in the State.

#### Note 2

The schedule of revenues, expenditures, and changes in fund balance is presented based on the revenue and expenditure criteria described in A.R.S. §42-5031.01(A) and (C). Under this statute, the Arizona State Treasurer is required to transfer transaction privilege tax (TPT) revenues collected on the Navajo Nation to Diné College monthly. In each fiscal year, no more than \$1,750,000 or one-tenth of the TPT revenues received from all sources located on the Navajo Nation, whichever is less may be transferred. In addition, the funding compact requires the College to annually submit a work plan to the Arizona Department of Administration (ADOA) to propose its yearly building maintenance, renewal, and capital expenditures plans and ADOA must conclude on the work plan's financial feasibility for the College to receive up to \$1,750,000 of TPT revenues for the year. Diné College did not submit a work plan to ADOA during fiscal year 2020 in accordance with the compact and consequently the State did not transfer any TPT revenues to Diné College during the fiscal year ended June 30, 2020. The College subsequently submitted its work plans for fiscal years 2020 and 2021 to ADOA on April 23, 2021. New legislation (Laws 2021, Ch. 430, §17) was passed to provide for a distribution of \$3,500,000 of TPT revenues in lieu of the distribution required by A.R.S. §42-5031.01 to Diné College for fiscal years 2020 and 2021. As a result, TPT revenues of \$3,500,000 were transferred to Diné College in fiscal year 2021. Maintenance, renewal, and capital asset expenditures totaling \$576,720 include goods and services received during the year ended June 30, 2021, regardless of when payment was made. The schedule includes \$110,637 in expenditures for goods and services received by June 30, 2021, but paid for after that date.



LINDSEY A. PERRY  
AUDITOR GENERAL

ARIZONA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

## Independent accountants' report on compliance with the Navajo Nation, Diné College—State of Arizona Funding Compact

Members of the Arizona State Legislature

The Honorable Katie Hobbs, Governor, State of Arizona

The Honorable Buu Nygren, President, Navajo Nation

Glennita Haskey, Acting President, Diné College

We have examined Diné College's compliance as to whether during the year ended June 30, 2021, transaction privilege taxes collected on the Navajo Nation and distributed in prior years by the Arizona State Treasurer to Diné College pursuant to Arizona Revised Statutes (A.R.S.) §42-5031.01 were used solely for the maintenance, renewal, and capital expenditures of Diné College campuses operating in the State of Arizona as prescribed by A.R.S. §42-5031.01. Diné College's management is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on Diné College's compliance with the specified requirements based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Diné College complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Diné College complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement. Our examination does not provide a legal determination on Diné College's compliance with the specified requirements.

The results of our examination procedures disclosed an instance of noncompliance that is described in the accompanying schedule of findings and recommendations as item 2021-01. Our opinion is not modified with respect to this matter.

In our opinion, Diné College complied, in all material respects, with the specified requirements referenced above during the year ended June 30, 2021.

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

April 8, 2025



## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

In planning and performing our examination, we considered the Diné College's (College) internal controls to design procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance as to whether transaction privilege taxes collected on the Navajo Nation and distributed to the College in the prior years were used solely for the maintenance, renewal, and capital expenditures of the College's campuses. Our examination was not for the purpose of expressing an opinion on the effectiveness of the College's internal controls. Accordingly, we do not express such an opinion.

As a result of our examination, we identified an internal control weakness and instance of noncompliance that the College's management should correct to ensure that they fulfill their responsibility to establish and maintain adequate internal controls over compliance with the requirements specified in the State of Arizona Funding Compact. Our finding and recommendations are described below.

### 2021-01

**The College failed to provide funding compact financial information to auditors by the required deadline, resulting in untimely financial information for decision makers and an increased risk of the State withholding future transaction privilege tax payments**

**Condition**—Contrary to its funding compact with the State, the College failed to provide timely funding compact information to auditors. Specifically, the College's Finance and Accounting Department did not provide its fiscal year 2021 funding compact schedule of expenditures (schedule)—to be included in its Arizona Funding Compact Report—to auditors until June 26, 2024, or 2 years and 9 months after the required deadline.

**Effect**—The College's Finance and Accounting Department delayed the issuance of its annual Arizona Funding Compact Report, resulting in untimely funding compact financial information to Arizona State Legislature members and others who rely on it to make important decisions about the College's funding compact operations. Further, the College is at risk of the State withholding future transaction privilege tax payments, which could cause the College to defer or adjust its future building maintenance, renewal, and capital expenditure plans.

**Cause**—The College's management reported that it did not prioritize preparing the schedule because the College does not rely on the schedule for decision-making purposes as it has a different reporting period than the College's financial statements.<sup>1</sup> In addition, the College lacked written policies and procedures over the preparation and submission of its funding compact schedule, including designating an employee to prepare and submit the schedule and a separate employee to review the schedule for accuracy and establishing deadlines to ensure timely submission of the schedule.

**Criteria**—The College is required to submit an annual funding compact schedule of expenditures to the Arizona Auditor General no later than September 30 each year they receive transaction privilege tax revenues.<sup>2</sup> Further, developing and implementing policies and procedures for preparing the schedule is an essential part of internal control standards, such as the *Standards for Internal Control in the Federal*



*Government*, issued by the Comptroller General of the United States, and integral to ensuring the College's funding compact reporting and related compliance objectives are achieved.<sup>3</sup>

**Recommendations**—The College should:

1. Make it a priority to provide its annual funding compact schedule to the Arizona Auditor General by September 30 of each year.
2. Develop and implement written policies and procedures over the preparation and submission of its annual funding compact schedule, including requirements to:
  - a. Designate an employee to prepare and submit the schedule.
  - b. Designate another employee to perform an independent review of the schedule prior to submitting it to the auditors to ensure the schedule is accurate and agrees to the College's records.
  - c. Establish deadlines to ensure that the schedule is submitted on time.

The College's corrective action plan at the end of this report includes the views and planned corrective action of its responsible officials. We are not required to examine and have not examined these responses and planned corrective actions and therefore provide no assurances as to their accuracy.

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<sup>1</sup> The reporting period for the College's annual funding compact schedule is July 1 through June 30, and the reporting period for the College's annual financial statement is October 1 through September 30.

<sup>2</sup> The Navajo Nation, Diné College and Navajo Technical University - State of Arizona 2018 Funding Compact, Section 3.A., states that no later than September 30 of each fiscal year that the Navajo Nation, Diné College, receives revenues pursuant to the Compact, Diné College shall submit a Schedule of Expenditures to the State Auditor General for audit.

<sup>3</sup> U.S. Government Accountability Office (GAO). (2014). *Standards for internal control in the federal government*. Retrieved 2/10/2025 from <https://www.gao.gov/assets/670/665712.pdf>

# COLLEGE RESPONSE



# DINÉ COLLEGE

THE HIGHER EDUCATION INSTITUTION OF THE NAVAJO NATION SINCE 1968

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April 08, 2025

Lindsey A. Perry  
Arizona Auditor General  
2910 N. 44<sup>th</sup> St., Ste. 410  
Phoenix, AZ 85018

Dear Ms. Perry:

The Navajo Nation, Dine College appreciates the opportunity to respond to the finding and recommendations of the Navajo Nation, Dine College-State of Arizona Funding Compact examination performed by the Arizona Auditor General.

Please see the College's corrective action plan on the following page.

Sincerely,

Bo Lewis  
VP of Finance & Administration



# DINÉ COLLEGE

THE HIGHER EDUCATION INSTITUTION OF THE NAVAJO NATION SINCE 1968



## **Finding 2021-01 - Timeliness**

### *Views of Responsible Official (CAP)*

Dine College's Finance and Accounting Office has instituted an annual reminder, effective April 1<sup>st</sup>, the start of the third quarter of the College's Fiscal year, to initiate the preparation of the AZ Compact annual funding expenditures schedule. This schedule must be submitted by or prior to September 30<sup>th</sup>. The reminder will be issued monthly until the schedules are completed. Furthermore, the Finance and Accounting Office will work closely with the Vice President of Administration and Finance to integrate the AZ Compact audit into the Financial Management Policy and Procedures, which will outline specific deadlines for audit completion. The Controller will prepare the expenditure schedules for the AZ Compact year, July 1<sup>st</sup> to June 30<sup>th</sup>, and forward them to VP of Administration & Finance for review and signature.

Implementation Date: October 2025

Responsible Party: Raychelle Leonard, Controller

